

Message Text

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67

ACTION ARA-10

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FM AMEMBASSY SANTO DOMINGO

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E.O. 11652: N/A

TAGS: EINV, ENRG, DR

SUBJECT: PETROLEUM: GODR SHIFTS PROFIT MARGIN FROM U.S. DISTRI-
BUTORS TO DOMINICAN DEALERS

1. BY DECREE OF OCTOBER 1 THE GODR TOOK 1.9 CENTS PER GALLON OF
PROFIT MARGIN FROM FOREIGN DISTRIBUTORS OF GASOLINE AND SHIFTED
IT TO DOMINICAN STATION OWNERS, LEAVING THE PRICE OF GASOLINE
THE SAME. THIS ACTION FOLLOWS TWO PREVIOUS REDUCTIONS OVER THE
PAST YEAR OF PROFIT MARGINS FOR TEXACO, ESSO, ARCO, AND SHELL.

2. THE LATEST GODR ACTION DECREED THAT THE FOUR OIL COMPANIES
MUST NOW SELL GASOLINE TO DEALERS AT A PRICE OF 75.7 CENTS PER
GALLON COMPARED TO THE PREVIOUS PRICE OF 77.6 CENTS, WITH THE
FINAL PRICE OF GASOLINE FOR THE CONSUMER REMAINING THE SAME --
AT 84 CENTS IN THE CAPITAL AND UP TO 87 CENTS IN THE INTERIOR.

3. LAST JULY 31 THE FOUR COMPANIES WERE FORCED TO ABSORB OUT OF
THEIR OWN PROFIT MARGIN AN AVERAGE INCREASED COST PER GALLON OF
TWO-TENTHS OF A CENT DUE TO INCREASE IN TRUCKERS' RATES. A YEAR
AGO ON OCTOBER 20 ANOTHER GOVERNMENT DECREE RAISED THE RETAIL
PRICE OF GAS BY 17.14 CENTS BUT REDUCED THE AVERAGE OFFICIAL

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PROFIT MARGIN FOR THE FOUR FOREIGN-OWNED COMPANIES FROM 6.47

CENTS TO 4.47 CENTS PER GALLON. (THE COMPANIES WERE ACTUALLY GETTING LESS THAN THE FULL 6.47 CENTS PROFIT BEFORE THE MEASURE.)

4. HARDEST HIT BY THE LATEST DECREE IS ARCO, WHOSE GASOLINE DISTRIBUTION MAKES UP ABOUT FOUR-FIFTHS OF ITS BUSINESS IN THE DR. ARCO'S LOCAL MANAGER IS SPREADING THE WORD AROUND THAT HIS COMPANY MAY BE PULLING OUT OF THE COUNTRY.

5. OTHER DISTRIBUTORSHIPS, WHICH ARE NOT SO HEAVILY DEPENDENT ON GASOLINE SALES, ARE, NEVERTHELESS, DISTURBED BY THE TREND AND BY THE NARROW PROFIT MARGIN NOW EXISTING. TEXACO CALCULATES THAT ITS ANNUAL NET PROFIT WILL BE REDUCED BY OVER 40 PERCENT. THE BRITISH CHARGE D'AFFAIRES ASKED ECONOMIC COUNSELOR OCTOBER 5 ABOUT U.S. REACTION AND COMMENTING HE THOUGHT PROFIT MARGIN WAS GETTING EXCEEDINGLY LOW. HE ADDED THAT SHELL IS STUCK HERE BY ITS 50 PERCENT OWNERSHIP (WITH THE GODR) OF THE COUNTRY'S ONLY REFINERY.

6. TEXACO'S LOCAL REPRESENTATIVE SAID HIS NEW YORK HEADQUARTERS IS VERY UNHAPPY WITH LATEST DEVELOPMENT, BUT HE ADMITTED THAT TEXACO WOULD NOT RPT NOT LIKELY PULL OUT EITHER. TEXACO AND SHELL TOGETHER HAVE RD\$14 MILLION OWING TO THEM IN PESOS FROM DIFFERENT GODR ENTITIES, PRIMARILY CDE, THE STATE-OWNED ELECTRIC COMPANY. (CDE CLAIMS IT IS SLOW IN PAYING BECAUSE ITS COLLECTIONS WERE OFF ALMOST 50 PERCENT THIS PAST SUMMER DUE TO THE POWER CRISIS AND CONSUMERS' REFUSING TO PAY THEIR BILLS.)

7. THE FOUR OIL COMPANIES ARE NOW REASSESSING THE SITUATION BEFORE DECIDING THEIR NEXT MOVE. ARCO APPEAR TO BE THE ONLY ONE WHICH MIGHT POSSIBLY PULL OUT BECAUSE IT IS THE MOST HURT AND HAS THE SMALLEST INVESTMENT.
AXELROD

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